

# Analyzing the Economic Impacts of Historic Preservation

**H**istoric preservation activity has significantly expanded in recent years in terms of listings in the National Register of Historic Places and investment in historic rehabilitation (see table). The federal historic Preservation Tax Incentives program is an important inducement for investment in preservation. Initiated in the late 1970s, the federal historic preservation tax incentives have generated more than \$17 billion investment in historic preservation, encompassing about 25,000 separate projects. Although changes in the tax laws in 1986 (e.g., lowering the Rehabilitation Tax Credit from 25% to

20%) led to a decline in preservation tax incentives activity, it remains the most significant federal financial encouragement for preservation.

The federal tax incentives are significant not only for fostering preservation; they constitute an important economic “pump priming” measure in their own right in terms of creating jobs, increasing wages, and increasing state and local tax revenues. The Rutgers University Center for Urban Policy Research (CUPR) is conducting research for the New Jersey Historic Trust, with funding from the National Center for Preservation Technology and Training, Natchitoches, LA, to describe the nature and measure the magnitude of these increases.

The CUPR study encompasses the economic impacts from three sectors of activity: historic rehabilitation, heritage tourism, and the operations of historic sites and organizations.

To specify the economic impact of historic rehabilitation, CUPR will examine approximately 60 completed historic rehabilitation projects, both in New Jersey and nationally, encompassing about \$100 million worth of construction. The projects include extensive renovation effected on properties listed on national, state, or local historic registers. The historic properties encompassed four categories of buildings: single-family residential, multi-family residential, non-residential (e.g. office or retail), and civic-institutional (e.g. city halls or courthouses). Almost all of the income-producing projects—that is, the multi-family residential and non-residential properties—have utilized the preservation tax incentives.

CUPR will present its findings in final form later this year. CUPR also hopes to prepare software for the field so that others can project the economic and tax benefits of any given historic preservation project or program. With these tools, the historic preservation community will better be able to articulate the economic benefits of historic preservation activities, increase support for the tools, and create the foundation for expanding the tools and programs available to preservationists.

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## Growth of Historic Preservation Activity

### Selected Indicators

Fiscal Year	Cumulative Listings in the National Register	Cumulative Rehabilitation Tax Credit Investment (millions of dollars)	Cumulative Rehabilitation Tax Credit Projects Approved (Certified Part 3s)
1968	903		
1969	1,105		
1970	1,887		
1971	3,022		
1972	4,370		
1973	6,638		
1974	8,234		
1975	10,775		
1976	12,525		
1977	14,152		
1978	16,511	\$ 140	512
1979	20,519	\$ 440	1,147
1980	24,638	\$ 786	1,761
1981	26,447	\$ 1,524	3,136
1982	29,910	\$ 2,652	4,938
1983	34,991	\$ 4,817	7,510
1984	38,982	\$ 6,940	10,724
1985	42,362	\$ 9,356	13,841
1986	45,730	\$11,017	16,805
1987	48,186	\$12,101	18,736
1988	50,641	\$12,967	19,828
1989	53,742	\$13,894	20,822
1990	56,027	\$14,644	21,636
1991	58,117	\$15,252	22,092
1992	60,021	\$16,029	22,747
1993	61,598	\$16,575	23,313
1994	63,358	\$17,058	23,834
1995	64,896	\$17,527	24,382
1996	66,322	\$18,284	24,891





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*The rehabilitation of the Rookery Building in Chicago's Loop resulted in the reconstruction of the light court and original mosaic floor, with new office spaces provided on the upper floors. Photo by Nick Merrick of Hedrich Blessing, courtesy of McClier Architects and Engineers.*



## ***The Secretary of the Interior's Standards for Rehabilitation***

**Rehabilitation** is described as the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural, or architectural values.

### *Standards for Rehabilitation*

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of distinctive materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.



# Turning Schools Into Housing

Vacant and abandoned school buildings can be rehabilitated into housing by combining the Rehabilitation Tax Credits and the Low Income Housing Tax Credits. Two projects in Kentucky exemplify the possibilities.

The Brandeis School in Louisville, Kentucky, was constructed in 1917. For many years, it was the largest elementary school in the Commonwealth of Kentucky. In 1992, it was considered obsolete and was boarded up. Using the Rehabilitation Tax Credits and the Low Income Housing Tax Credits, New Directions Housing Corporation and the design firm of Grossman, Chapman, Klarer rehabilitated the school building and transformed it into living space for 50 households. The rehabilitation of the Brandeis School restored a community treasure and secured property values in the surrounding blocks. Photo courtesy New Directions Housing Corporation.



The St. Patrick's School in Louisville, Kentucky, was constructed in 1916. In 1966, the school was closed and in the 1970s, gutted by fire. Located near downtown Louisville, the building became a major eyesore. The Housing Partnership, Inc., developer John Clark, investors National City Bank and Brown-Foman Distillers, and the architectural firm of T. Dade Luckett & Associates undertook rehabilitation of the school and the adjacent Gustave Baurman House and transformed them into 35 affordable housing units. This project was made possible with the Rehabilitation Tax Credits and the Low Income Housing Tax Credits. Not only has the block been enhanced, but the entire neighborhood has benefited from new businesses and commercial enterprises attracted to the area. Photo courtesy T. Dade Luckett & Associates.



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